

Virginia Drinking Water State Revolving Fund Program (DWSRF)

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I. INTRODUCTION

This report covers July 1, 2025, through June 30, 2026 (Virginia Fiscal Year 2026). The Virginia Department of Health (VDH) Office of Drinking Water (ODW) activities for this year build on prior success. Virginia received the first Drinking Water State Revolving Fund (DWSRF) loan offer in June 1998, and the U.S. Environmental Protection Agency (EPA) has awarded 29 capitalization grants (excluding the American Recovery and Reinvestment Act of 2009, or “ARRA”) since then. The Commonwealth of Virginia supports the program with the required 20% state matching dollars. This report highlights the status of the DWSRF Program by detailing progress made toward long-term and short-term goals, the sources and uses of funds, financial status of the DWSRF Program, and compliance with federal requirements.

ODW made significant progress with program objectives as approved in the annual Intended Use Plan that funds construction projects and other set-aside activities. ODW closed 19 SRF construction projects totaling \$67.2 million during this reporting period. As of June 30, 2026, Virginia’s program has closed funding/financing agreements for 593 projects, which total \$685,168,147.

Year	State Fiscal Year	# of Binding Commitments	Amount
1	1998	1	\$ 4,000,000
2	1999	3	\$ 8,000,000
3	2000	15	\$ 15,114,517
4	2001	20	\$ 24,584,781
5	2002	30	\$ 33,827,968
6	2003	19	\$ 19,875,065
7	2004	16	\$ 11,667,041
8	2005	17	\$ 10,654,508
9	2006	17	\$ 16,833,000
10	2007	15	\$ 12,124,046
11	2008	12	\$ 6,193,126
12	2009	18	\$ 13,707,176
13	2010	17	\$ 13,503,089
13	2010 (ARRA)	17	\$ 20,138,170
14	2011	16	\$ 15,496,322
15	2012	16	\$ 18,330,972
16	2013	15	\$ 26,077,006
17	2014	19	\$ 28,182,614
18	2015	20	\$ 16,262,052
19	2016	24	\$ 16,912,070
20	2017	20	\$ 17,435,147
21	2018	23	\$ 26,938,449
22	2019	34	\$ 19,256,987
23	2020	20	\$ 12,142,839
24	2021	16	\$ 87,052,223
25	2022	12	\$10,960,861
26	2023	14	\$20,584,189
27	2024	25	\$22,018,981
28	2025	83	\$70,070,019
29	2026	18	\$67,224,856

	Grand Total	592	\$685,168,147
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ODW's set aside activities enhance the ability of waterworks in Virginia to provide safe water. ODW contracts with various organizations to provide technical assistance and source water protection. ODW scholarships for operator and management training, professional development seminars, and other training efforts provide knowledge at the local level to increase technical, managerial, and financial capacity to successfully operate waterworks over the long term.

Virginia has reduced the number of waterworks with a health violation to less than 1.97% of all the systems across the Commonwealth, which can be attributed to the proactive work of ODW, and the financial support provided by the DWSRF and Public Water System Supervision grants. Staff continue to use the Enforcement Targeting Tool (ETT) to identify any waterworks in need of capital improvements. The ETT score remains a factor in the scoring and ranking of project reviews for funding. ODW knows to apply additional subsidy, minimum loan amount requirements to grants within one year of the grant award.

ODW continues to address staffing challenges. The DWSRF program was fully staffed during FY2026 including a newly hired part-time DWSRF Accountant working in the ODW Business Operations Management Division. The VDH DWSRF program along with the new VDH Grants Office and VDH Office of Financial Management continued to make significant improvements in disbursement and reimbursement submissions in 2026 with weekly reimbursement draws of DWSRF expenditures from ASAP.

ODW submitted its applications for the FY2026 DWSRF capitalization grant, FY2026 BIL/IIJA General Supplemental Grant, FY2026 BIL/IIJA Emerging Contaminants Grant, and FY2025 BIL/IIJA Lead Service Lines Grant, FY2026 BIL/IIJA Lead Service Lines funding all by July 17, 2026. EPA's award for the FY2026 DWSRF capitalization grant was provided on August 27, 2026, award for the FY2025 BIL/IIJA Lead Service Lines Grant provided on August 11, 2026, award for the FY2026 BIL/IIJA Lead Service Lines Grant was provided on August 28, 2026, award for the FY2026 BIL/IIJA Emerging Contaminants Grant was provided on August 11, 2026, and award for the FY2026 BIL/IIJA General Supplemental Grant was provided on September 29, 2026. ODW uses these funds to protect public health by ensuring drinking water provided to consumers by waterworks complies with water quality and quantity standards and is sustainable over the long run. Below are two examples of the public health benefits that Virginia provided:

A. Highlighted Projects

The Virginia Department of Health Office of Drinking Water highlights the Fauquier County Water and Sanitation Authority's PFAS Treatment and Compliance Project (Planning & Design Only, an FY 2024 BIL Emerging Contaminant Project), and Pittsylvania County's Robin Court Subdivision Water Extension Project (an FY2024 BIL Supplemental Project), both of which closed during the reporting period.

BIL-010C-24 – Fauquier County Water and Sanitation Authority's PFAS Treatment and Compliance Project (Planning & Design Only)

The Fauquier County Water and Sanitation Authority (FCWSA) provides essential drinking water and wastewater service to residents and businesses throughout Fauquier County, Virginia. First chartered in 1964, this publicly owned authority operates sixteen water systems serving approximately 7,500 water accounts.

Beginning in 2023, FCWSA sampled its groundwater sources for per- and polyfluoroalkyl substances (PFAS) and identified seven community water systems with levels above the Maximum Contaminant Levels (MCLs) finalized by the U.S. Environmental Protection Agency in April 2024. The affected systems, New Baltimore Regional, Bealeton Regional, Marshall, Waterloo Estates, The Meadows (Remington), Bethel Academy and

Botha Subdivision, serve approximately 15,900 residents. Some results far exceeded the standards, including PFHxS at 200 parts per trillion in Marshall and PFOS at 120 parts per trillion in Waterloo Estates.

To address these issues and ensure long-term regulatory compliance, FCWSA developed a phased program evaluated through Preliminary Engineering Reports (PERs). Ion exchange (IX) treatment was selected for the smaller groundwater systems. For New Baltimore, the County's largest system, FCWSA chose regionalization: purchasing finished water through an interconnection supported by a new booster pump station, transmission main and distribution modifications.

Funding provided through a \$5.8 million principal forgiveness loan closed in 2025 under the Fiscal Year 2024 Bipartisan Infrastructure Law (BIL) enabled FCWSA to begin planning and design for all seven systems. This initial award positioned the Authority to secure additional funding, bringing the total accepted or assigned to the program to approximately \$63 million. Today, more than half of the PERs have been approved, the New Baltimore interconnection is in final design, and kick-off meetings for the FY2026 projects have been held.

Once complete, the program will bring all seven systems into compliance and remove a long-term health risk for their customers. In New Baltimore, the new supply will also relieve declining aquifers and improve water quality. Overall, the project represents a long-term investment in public health, regulatory compliance, water supply resiliency and affordability for the communities of Fauquier County.

BIL-011S-24 – Pittsylvania County's Robin Court Subdivision Water Extension Project

The **Pittsylvania County Public Works Department** provides essential drinking water to residents and businesses within Pittsylvania County, Virginia, including the towns of Chatham, Hurt and Gretna. This publicly owned community waterworks operates twelve different water systems throughout the County to serve approximately 3,500 customers.

Robin Court Subdivision Water System was constructed in the early 1970s and served residents through a groundwater supply system operated by Pittsylvania County Public Works. The system is located north of Chatham, Virginia off Mill Creek Road that consists of 17 residential connections serving approximately 43 residents.

Over time, the system experienced recurring water challenges, including radiological contaminants as well as elevated levels of naturally occurring iron and manganese and was issued with a Consent Order from the Virginia Department of Health - Office of Drinking Water, effective October 9, 2020, for Primary Maximum Contaminant Level (PMCL) exceedances of Combined Radium for three consecutive quarters beginning in late 2019.

To address these issues and ensure long-term regulatory compliance, Pittsylvania County evaluated multiple alternatives through a Preliminary Engineering Report (PER), which identified connection to the Town of Chatham public water system as the most cost-effective and sustainable solution. The extension needed to access Robin Court along Mill Creek Road is primarily residential with a few large tracts of agricultural land along the route extending from the Town of Chatham.

Funding provided through a \$905,000 principal forgiveness loan closed in October of 2025 under the Fiscal Year 2024 Bipartisan Infrastructure Law (BIL) enabled the County to implement the recommended project. The improvements included the construction of approximately 7,100 linear feet of 8-inch water main, 1,290 linear feet of 6-inch water main, a master meter and vault, nine fire hydrants, associated valves and appurtenances, and the connection of the 17 existing residences. Notice to Proceed on the project began in early September 2025 starting with mobilization, and completed in late February 2026, one month ahead of

schedule.

The completed project delivered significant public health, infrastructure and community benefits. By eliminating reliance on the existing groundwater source, the project provides customers with a reliable supply of high-quality treated drinking water from the Town of Chatham system. The new infrastructure enhances system resiliency, improves long-term operational reliability, and reduces future treatment and maintenance needs associated with groundwater contaminants.

In addition to improving drinking water quality, the project provides fire protection to an area that previously lacked public fire hydrants, enhancing public safety and potentially improving emergency response capabilities. The new water main extension also creates opportunities for future development by making public water service available to an estimated 30 or more additional properties along the project corridor.

Overall, the project represents a long-term investment in public health, regulatory compliance, infrastructure reliability, fire protection, and economic development for the residents of the Robin Court community and surrounding areas.

II. GOALS AND ACCOMPLISHMENTS

ODW developed the long-term goals discussed below for the Intended Use Plan (IUP). The long-term goals provide a framework that guide management decisions for the DWRSF Program. The short-term goals support the implementation of the program's long-term goals. The overall goal of ODW in administering the capitalization grant is to provide a comprehensive and integrated technical and financial assistance program to waterworks owners through a balanced approach of using set-aside funding and construction loan funds.

B. Long-Term Goals

- a. Protect the public health and welfare by supporting activities that ensure waterworks provide adequate water quality and quantity to their end users,
- b. Ensure the sustainability of the DWSRF program and related funding to benefit Virginians and establish best management practices to maintain the Fund in perpetuity,
- c. Assist waterworks owners in complying with federal and state mandated drinking water regulations through programmatic, technical, and construction assistance,
- d. Assist waterworks owners to develop long-term strategies for sustainable infrastructure (managerial, technical, and financial capability) to provide safe drinking water,
- e. Assist waterworks owners in the protection of their source waters by supporting source water protection programs, and,
- f. Provide technical and financial assistance to waterworks owners and educate consumers through effective outreach programs.

C. Progress Toward Long-Term Goals

Progress Toward Long-Term Goals 1, 2, and 3: ODW developed a Program that utilizes the capitalization grant in two distinct categories; (i) non-project funds, or set asides, and (ii) project funds to be used for construction of public drinking water systems (waterworks). Set-aside funds were used to enhance the ability of the state and owners of waterworks to ensure a waterworks' long-term capacity to produce safe drinking water and to protect construction loan investments. Specific set-asides are discussed later in this report. Construction funds for waterworks are targeted to address public health problems and to ensure compliance

with the provisions of the SDWA.

ODW prioritizes construction projects in accordance with an EPA-reviewed and approved methodology that gives the highest priority in the following order: acute, chronic, public health, then all other eligible projects last. ODW affords the public the opportunity to review and provide meaningful comment on the prioritization methodology and project lists. ODW has noted that the number of applications related to acute and chronic public health issues have declined over the past few years. This is also coincident with the decline in the number of Virginia systems on the Enforcement Targeting Tool (ETT) list (formerly referred to as the *significant non-compliers* list).

Starting in CY 2018, ODW implemented a Capacity Building Program and Expedited Loan Closing Program. Construction projects may be eligible for an additional interest reduction of up to 0.25% under either program. To qualify for the Capacity Building Program, VDH required a commitment to adjust rates to ensure minimum compound revenue increases of 2%¹ each year for the next five years. To qualify for the Expedited Closing Program, VDH required loan closings completed within 12 months of the award letter. Since starting this Expedited Loan Closing Program only three projects have been able to take advantage of it. However, many others strive for this discount which aligns their priorities with the ODW's Timely and Expeditionary Use priorities. ODW believes the Capacity Building Program will help to build financial capacity at waterworks and the Expedited Loan Closing Program will help to speed up the loan closing schedules.

In addition, the SDWA authorized Virginia to establish a special demonstration project to loan funds to a regional endowment to "...finance new drinking water facilities..." in Southwest Virginia. The Coalfield Water Development Fund, Inc. (CWDF) was established for this purpose and a total of \$10 million has been provided to the endowment.

¹ Alternatively owners may commit to using an inflationary linked index such as the Consumer Price Index (CPI) or the Personal Consumption Index (PCE)

Progress Toward Long-Term Goal 2: To ensure the long-term financial sustainability of the Program ODW adopted three initiatives in 2015. These were:

- Increased the admin fee on interest bearing loans from fifty to one hundred fifty basis points. Revised its policy of providing zero-percent interest on all loans to disadvantaged waterworks.
- Zero-percent interest loans will only be provided in extreme situations. The interest rate on the 20-year loan will be set equal to 1.0% below the 20-year market rate in the month before loan closing, and the interest rate shall not be less than 1.0%. The interest rate on the 30-year loan will be set 0.50% below the 30-year market rate in the month before closing, and the interest rate shall not be less than 1.5%.
- Began charging a \$6,000 closing fee on all interest-bearing loans to waterworks that are not considered disadvantaged to help defray the upfront loan costs.

In the long term, these actions reduced the reliance on the 4% set-aside for funds to administer the Program and promote the long-term sustainability of the Program. Through these initiatives, ODW was able to move VRA charges from the 4% Set-Aside funding (subject to the grant amount) to the Admin Fee funding that is longer term and less volatile.

Progress Toward Long-Term Goal 3: ODW Assists waterworks owners in complying with federal and state mandated drinking water regulations through programmatic, technical, and construction assistance. Construction funds for waterworks are targeted to address public health problems and to ensure compliance with the provisions of the SDWA. ODW prioritizes construction projects in accordance with an EPA-reviewed

and approved methodology that gives the highest priority in the following order: acute, chronic, public health, then all other eligible projects last. Set-aside funds were used to enhance the ability of the state and owners of waterworks to ensure a waterworks' long-term capacity to produce safe drinking water and to protect construction loan investments.

Progress Toward Long-Term Goal 4: ODW continues to provide technical, managerial, and financial (TMF) assistance to waterworks owners. This assistance is focused on priority waterworks identified through several tools, such as: EPA Enforcement Targeting Tool (ETT), state violations list, recommendations from Field Offices, new waterworks operations permitting, and the triennial assessment. Capacity Development is primarily delivered to waterworks serving less than 10,000 persons. The Division of Training, Capacity Development, and Outreach (TCDO) works closely with the Financial and Construction Assistance Program (FCAP) Division to assure that all applicants are eligible for funding by either having capacity or utilizing funds to develop capacity. Assistance is provided by the development of Waterworks Business Operation Plans, Small Project Engineering assistance, on-site technical assistance, Planning and Design Funding Agreements, classroom training, and financial assistance provided through TCDO, other Technical Assistance Providers (TAPs) or one of EPA's TAPs. ODW continues to fully implement its Capacity Development Strategy. Please refer to the Annual Capacity Development Report for more detailed information regarding this Goal.

Building Financial Sustainability (Implemented in CY2016). To promote financially sustainable waterworks, ODW recommended waterworks self-evaluate their financial positions using a Building Financial Sustainability/Financial Health Indicators guide developed by ODW to ensure they were able to provide for financial sustainability. As part of the application/offer process, VDH recommended all owners use the guidance information to evaluate the current financial health of their waterworks, to evaluate their ability to accept new debt, and to affect changes needed to grow revenues. The guide is available on our website:

<https://www.vdh.virginia.gov/content/uploads/sites/14/2019/01/I-Building-Financial-Sustainability.docx>

Building Financial Sustainability (Implemented CY2018): One of the DWSRF Program Requirements is for waterworks to build long-term financial sustainability and have adequate financial capacity for additional debt for needed projects. As a condition of funding, VDH reserved the right to require the implementation of rate changes including but not limited to annual rate increases in an effort to build long-term financial sustainability at the waterworks. To build waterworks financial capacity, VDH offered reduced interest rates (up to 25 basis points) for recipients that commit to compound annual rate increases of at least 2% a year for five years as long as any additional funds generated are for the use of the waterworks.

Readiness to Proceed and Timely Use of Funds (Implemented CY2018): To promote readiness to proceed and timely use of funds ODW, offered reduced interest rates of up to 25 basis points for recipients that can close loans within 12 months of ODW's award letter date.

Progress Toward Long-Term Goal 5: ODW has the responsibility to conduct assessments of public water sources, which includes: source water protection area delineations, inventories of potential sources of contamination (PSC), and susceptibility determinations. ODW has been refining the GIS database layers and toolset to improve the Source Water Assessment Reports to waterworks.

During this reporting period, the Office of Drinking Water (ODW) continued to manage contracts and grants supporting localities and community water systems in advancing source water protection and related planning activities. ODW also continued to collaborate with state and regional partners to share data and strengthen collective efforts to protect drinking water sources.

ODW participated in various statewide and regional initiatives aimed at improving coordination among water,

environmental, and land management programs. These efforts emphasize interagency communication, technical assistance, and the integration of conservation and protection strategies to enhance water quality and system resilience.

ODW continued to provide technical and financial support for activities that promote proactive protection of drinking water sources. This included efforts to assist eligible waterworks with planning, data evaluation, and implementation of protective measures. Staff also engaged in meetings and discussions with partner organizations to align state-level programs with broader regional and federal goals related to water resource management.

Additionally, ODW continued to participate in interagency environmental review processes to assess potential public health and water quality impacts associated with proposed infrastructure projects. These reviews, conducted in coordination with state and federal partners, are part of Virginia's broader strategy to protect drinking water sources and promote sustainable resource management.

To further outreach and education, ODW also hosted informational sessions to increase awareness of source water protection practices and funding opportunities among community water systems and other stakeholders.

Overall, these combined efforts reflect Virginia's continued commitment to collaborative, multi-barrier approaches that safeguard drinking water quality and public health across the Commonwealth.

Progress Toward Long-Term Goal 6: In addition to the annual postings of applications/application announcement for construction funds and set-aside suggestions, the Planning and Design Funding Agreements and the 1452(K) grants for source water protection applications were posted. Information about DWSRF funding is provided in presentations at the VRWA conference and the AWWA Water Jam conference and several annual regional funding workshops hosted by VRWA and VDH Capacity Development. In addition, a publicly available on-line presentation on the agency website explains the eligibilities of the DWSRF and details of applying to the program. This presentation also includes information about Planning and Design Grants, providing information to the regulated community about the options available to them.

ODW field offices provided information on specific waterworks to target for various aspects of the Program. EPA's ETT was also used to identify specific waterworks that may benefit from the program. The FCAP and TCDO staff make additional outreach efforts during conferences and training events to ensure waterworks are aware of the many opportunities available to them under the DWSRF programs.

ODW placed the various applications, checklists, and related items web site:

<https://www.vdh.virginia.gov/drinking-water/fcap/drinking-water-funding-program/>

D. Short-Term Goals

- a. Allocate DWSRF Program funds efficiently so that Virginians may realize a prompt benefit.
- b. Assist waterworks owners through innovative and effective technical assistance programs.
- c. Promote consolidation and regionalization of water supplies and waterworks through both programmatic and construction assistance.
- d. Provide a source of low-cost financing for drinking water needs.
- e. Require that all new Community and Non transient Noncommunity water systems beginning operation after October 1, 1999, demonstrate the technical, financial, and managerial capacity required to operate a waterworks.
- f. Ensure that state operator certification regulations meet EPA national requirements.
- g. Ensure training courses provided meet the needs of classifications of licensed operators at small

waterworks.

- h. Demonstrate compliance with the Federal Capacity Development Program, Virginia's Capacity Development Strategy and operator certification program provisions in order to avoid withholdings.
- i. Maintain unliquidated obligations (ULOs) at or below the national average. The ULO is the unexpended balance remaining from the amount of federal funds EPA obligated to an individual state/recipient which has not yet been "drawn down".
- j. Program pace is a ratio of the dollar value of closed loans/binding commitments to the total dollars available for projects in the Fund. VDH will commit to no less than 90% for a pace target for this fiscal year.
- k. Enter into binding commitments for projects that will proceed to construction or award of construction contracts within twelve months of initial offers of assistance.

E. Progress Toward Short-Term Goals

Progress Toward Short-Term Goals 1 and 8: ODW timely submitted its applications for \$6,511,200 FY2026 DWSRF capitalization grant receiving the Notice of Award on August 27, 2026; \$10,944,000 FY2026 BIL/IJA Emerging Contaminants Grant receiving the Notice of Award on August 11, 2026; \$56,835,000 FY2025 BIL/IJA Lead Service Lines Grant receiving the Notice of Award on August 11, 2026; \$27,456,000 FY2026 BIL/IJA Lead Service Lines Grant receiving the Notice of Award on August 28, 2026; \$42,174,000 FY2026 BIL/IJA General Supplemental Grant receiving the Notice of Award on September 29, 2026. These applications included the following reallocations of funding to the Virginia DWSRF Program:

- BIL/IJA Emerging Contaminants reallocations
 - \$84,000 1st FY22 reallocation
 - \$3,000 FY22 reallocation
 - \$68,000 FY23 reallocation
- BIL/IJA Lead Service Lines reallocations
 - \$810,000 FY22 reallocation
 - \$2,007,000 FY22 reallocation
 - \$12,393,000 FY23 reallocation
 - \$12,975,000 FY24 reallocation

To promote efficient fund utilization ODW reserves the right to bypass any project that has not executed the assistance agreements/initiated construction within 12 months of the original award letter.

DWSRF Informational Presentations: VDH presented information about the DWSRF funding program in several locations and formats throughout the solicitation period. A presentation was given virtually as part of the Virginia Tech Broadcast series of training to waterworks operators and stakeholders. Additionally, VDH presented at the Virginia Rural Water Association's annual conference, American Waterworks Association's annual Water Jam conference, and funding workshops were provided in both Southwestern Virginia in the Town of Tazewell and Southside Virginia in the Town of South Hill.

Progress Toward Short-Term Goal 2: ODW continued the Planning and Design Award Program. The Planning dollars have benefited the small, rural, financially stressed waterworks or waterworks in need of small amounts of grant money (up to \$45,000 per project) to develop preliminary engineering reports, plans and specifications, and source water studies. Many of these grants have allowed them to expedite the preparation of applications for DWSRF Program, USDA Rural Development, and other construction funding programs.

ODW continued our Small Project Engineering Services: ODW solicits for engineering services through consulting engineering firm(s) to provide small scope (each approximately \$20,000 or less) project engineering

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directly to small water systems that do not have the financial, technical, and or managerial capacity to retain an engineer. These projects address compliance and/or capacity issues of small public community systems serving less than 10,000 persons.

Progress Toward Short-Term Goal 3: The DWSRF Program's construction assistance was designed to encourage regionalization by providing points for projects that consolidate waterworks. The Waterworks Business Operations Plan encourages waterworks to consider consolidation in the planning process. Preliminary Engineering Reports (PERs) require that feasible alternatives be evaluated to ensure the possibility of consolidation has been considered. Regional waterworks that consolidate to eliminate smaller, failing waterworks are eligible for principal forgiveness and special reduced interest rates, not available to standard project owners.

Progress Toward Short-Term Goal 4: ODW designed a loan package where the maximum interest rate is 1% below the market rate in the month before loan closing. ODW incorporated affordability criteria into the construction assistance ranking system. Special consideration is given for disadvantaged communities. Under the proposed project priority list, a range of a minimum of 30% of the total DWSRF Base grant will be provided as principal forgiveness to eligible projects serving disadvantaged projects, with a state option to add an additional amount not to exceed a maximum of 49%. Additionally, 49% of the Bipartisan Infrastructure Law General Supplemental and Lead Service Line funding will be provided to projects serving disadvantaged projects. A minimum of 25% of the total of Bipartisan Infrastructure Law Emerging Contaminants funding will be provided to projects serving disadvantaged communities, although 100% of the Bipartisan Infrastructure Law Emerging Contaminants funding will be 100% Principal Forgiveness. The Planning and Design awards will further reduce the municipalities' financial burden for projects proceeding to construction.

Progress Toward Short-Term Goal 5: ODW developed a Capacity Development Strategy originally in May 2000 and subsequently revised in May 2014, later approved by EPA, which described the authority and procedures used to ensure new Community and Nontransient Noncommunity waterworks have TMF capacity prior to beginning operation. New waterworks are required to develop a Waterworks Business Operations Plan to demonstrate full TMF capacity prior to the issuance of an Operation Permit. The Commonwealth of Virginia Capacity Development Strategy is published on the Virginia Department of Health's website at: <http://www.vdh.virginia.gov/drinking-water/capacity-development/>. An updated Capacity Development Strategy dated March 1, 2021 was submitted to EPA pursuant to the AWIA requirements. In January 2022, the EPA approved the revised Strategy.

Progress Toward Goal 6: Virginia's Operator Certification Program (OCP) Report for 2026 is posted on the ODW Website at the following link: [2026_Virginia-OpCert-Annual-Report_Final_dated.pdf](#). VDH continued to successfully implement Virginia's OCP under the SDWA Section 1419(b) guidelines. ODW submits an annual OCP report for EPA's review and approval as required.

Progress Toward Short-Term Goal 7: EPA's review and approvals of ODW's Program/reports confirm compliance with the Federal Capacity Development Program, Virginia's Capacity Development Strategy and operator certification program provisions. Where appropriate ODW has leveraged funding offers with rate adjustments in an effort to build financial capacity for waterworks. Starting in 2018 ODW is recommending asset management plans (AMPs) from all DWSRF construction funding recipients that do not have one. ODW believes the AMPs will help waterworks determine the condition of their assets and a schedule for replacement. This will further advance Virginia's response to the issue of aging infrastructure.

Due to recent heightened awareness concerning cybersecurity of waterworks, including waterworks infrastructure construction projects funded by the DWSRF program, ODW has set aside funding designated for activities to provide cybersecurity training for water systems personnel. Additionally, ODW has added additional points on the funding application scoring system for projects addressing cybersecurity.

Progress Toward Short-Term Goal 8: ODW has applied for the full amount appropriated for Virginia under the DWSRF Grant in the first year for all recent grant appropriations.

Progress Toward Short-Term Goal 9: An ongoing concern of EPA's has been the national amount of unliquidated obligations (ULOs) under the DWSRF Program. DWSRF ULOs are unspent capitalization grant funds provided by EPA measured as the ratio of funds provided to funds available. These include all project and set-aside funds. As of June 30, 2026, ODW achieved a ULO of 69% for the DWSRF program. This included set-aside funds and project funds. EPA has encouraged states to reduce and maintain their ULOs to as low a level as feasibly possible. The unusually high ULO was due to the influx of unprecedented levels of additional Bipartisan Infrastructure Law funding awarded at the same time the DWSRF program remained on EPA Reimbursement that slowed the drawdown of funding that would reduce the ULOs. Additional project delays leading to unusually high levels of ULOS were pointed out in the Virginia DWSRF Timely and Expeditious Use Report. These delays include: delays related to parity consent from USDA Rural Development, delays for borrowers to obtain financial audits, delays in obtaining necessary permits, delays to purchase easements and property necessary for the project, limited supply of construction contractors to handle increased funding available, construction inflation leading to increased bids and a second credit review to approve additional funding, limited supply of design engineers to handle increased funding available, borrowers seeking federal earmark funding as an alternative to DWSRF program, and requirement for some borrowers to increase water user rates to pass a credit review. Additionally, through funding several large projects in the next SFY, ODW believes we will reduce our ULOs significantly.

Progress Toward Short-Term Goal 10: Program Pace data is specific to project funds and is calculated/derived from the OWSRF (formerly DWNIMS) Database. The program calculates pace as a ratio of cumulative binding commitments to total funds available for construction projects. It can be an indication of how well/quickly a program makes funds available for projects. For the reporting period, ODW achieved a program pace (funds provided to funds available) of 88%. On a cumulative basis, ODW closed the dollar value of \$685.2 loans shown in the Introduction, which is 69% of \$992.5 million in DWSRF Funds available for Projects.

ODW believes the following program revisions will add more lead to an increase of pace with projects closing in a more timely fashion.

PER Requirement Revised (Implemented FY 2026): In 2017 ODW revised the requirement to have a Preliminary Engineering Report (PER) drafted and submitted with the construction application in 2017. The submission (or waiver) of the PER may be made a condition of the award. In FY2026 ODW re-implemented the requirement to submit a PER or waiver of PER as an eligibility requirement for the application. VDH believes this will decrease the amount of planning time between funding award and closing the loan/funding agreement which the EPA defines as commitment of funds.

Design Build: In 2017 the DWSRF Program made revisions to accommodate Design- Build and other alternative project delivery methods in an effort to better serve our waterworks owners. Projects completed with these delivery methods have increased planning permitting review time and lead to increased staff workload all of which decreases percent of committed funds as well as annual disbursements. In FY2026 the DWSRF program has temporarily paused design build and alternative project delivery methods until the program's pace returns to the national average.

Additional Eligibility Requirements: In FY2026 the DWSRF Program implemented new eligibility requirements that will increase the program's pace. These include:

- Any utility that has a project funded by the program that has not closed the loan/funding agreement within 2 years of the date of the award letter is not eligible to apply for additional funding.

- Any utility that has a project funded by the program that has not completed construction and closed out the project within 4 years of the date of the award letter is not eligible to apply for additional funding.
- Any utility without a completed financial audit demonstrating no findings within the last three years from the application deadline, is not eligible to apply for funding.

III. DWSRF PROGRAM SET-ASIDE AND LOAN PROJECTS ACTIVITIES

A. Sources of DWSRF Program Funds

As of June 30, 2026, ODW has been awarded federal capitalization grants totaling \$766,659,822. The 2026 capitalization grants and the 2025 Lead Service Line Capitalization Grant were excluded as a source of funds in this report since the executed grant agreements were not awarded during the reporting period.

ODW is traditionally required to provide state matching funds equal to 20% of each SRF capitalization grant. ODW has a cumulative state match appropriation of \$107,666,807. Beginning with the 2004 capitalization grant, administrative loan fees are being collected on projects that close with an interest rate greater than zero. The administrative loan fees are currently one hundred and fifty basis points (1.50%) per annum and are included as part of the interest rate. This table presents the activity for the reporting period.

Admin Fee Account Activity from Cash Flow Statement		
FY2026 Beginning Balance	\$	3,903,347
FY2026 Admin Fee Cash Collections	\$	1,434,024
FY2026 Interest Earnings	\$	128,139
FY2026 Admin Fee Expensed	\$	(697,482)
FY2026 Ending Balance	\$	4,768,028

Appendix A - Table 1 shows the capitalization grant awards, and other sources of funding received during this reporting period.

B. Uses of DWSRF Program Funds

1. Allocation of DWSRF Program Funds

EPA allocates the capitalization grant between two categories: (1) project loan funds, which are to be used for construction of public drinking water systems, and (2) non-project funds, or set asides. For each capitalization grant award, ODW develops an Intended Use Plan (IUP) which describes how Virginia intends to use the available DWSRF program funds for the year. The IUP also describes the amount of funds that will be used for these various activities. The IUPs were made available to the public for review and comment prior to being submitted to the EPA.

The SDWA established the capitalization grant percentage limits that can be spent for project loans and the four individual set-aside activity areas. The 20% state match is for use in awarding construction project loans. Up to 31% of the capitalization grant can be allocated to the four set-aside activities. The set-aside activities include up to 4% for administrative expenses, up to 10% for state program management, up to 2% for small

system technical assistance, and up to 15% for local assistance and other state programs.

Appendix B – Table 2 shows the actual Virginia Fiscal Year 2026 disbursements and cumulative disbursements.

2. Set-Aside Activity Status

4% DWSRF Administration and Technical Assistance

The administrative expense set-aside is used for administration of the DWSRF Program and general technical assistance. ODW has eleven employees, nine full-time and two hourly, to assist in administering the DWSRF Program; however, five of these employees are paid from the 10% set-aside funds. See Appendix G FCAP Structure for more information.

The administration of the DWSRF Program activities also includes: banking type services of the project loans performed by the Virginia Resources Authority (VRA), annual audits performed by the State Auditor or their agent, and travel/training costs. The State's Auditor of Public Accounts (APA) conducts an annual statewide single audit for the Commonwealth of Virginia in accordance with OMB Circular A-133.

VRA was reimbursed in the amount of \$658,462 for credit evaluation, loan servicing, and loan monitoring in accordance with the VRA-VDH cost allocation agreement. ODW charged VRA funding to the administration fee account. A private CPA firm engaged by the State's APA performs an annual audit of the Construction State Loan Fund. CliftonLarsonAllen, LLP, Certified Public Accountants, conducted an independent audit of VRA's financial records for the year ending June 2026. The audit expressed an unmodified opinion, disclosed no audit findings, no instances of noncompliance, and no significant deficiencies. The auditors continue to view VRA as a low-risk auditee. The VRA Board of Directors accepted the FY2026 Annual Comprehensive Financial Report (ACFR) in September 2026. The Attorney General's Office has provided legal advice on agreements and contracts.

During this reporting period, ODW and VRA have completed the following administrative activities:

- Solicitation of applications, through public announcements and ODW Field Office input,
- Conduct online funding workshops and met with prospective recipients,
- Project evaluation, selection, and prioritization in accordance with the Program Design Manual,
- Development of comprehensive list of projects, and Intended Use Plan,
- Evaluation of waterworks for TMF capacity,
- Establish the terms of the offers and award funding assistance,
- Ensure completion of all required activities required for loan closing and close loans,
- Monitor/Administer project construction,
- Credit Analysis, Loan Servicing (including single audit letters), and Fund Administration, and
- Preparation of Capitalization Grant Application.

2% Small Systems Technical Assistance

ODW used these funds to support one (1) part-time data keying and five (5) full-time inspector positions in field offices.

10% PWSS State Program Management

ODW used 10% SA funds to supplement the State Public Water Supply Supervision (PWSS) Program. A total of sixteen Environmental Inspector positions, two Environmental Health Specialists, three FCAP Project Engineers, one FCAP Project Officer, one Environmental Health/Compliance Coordinator, one ODW Office

Director, One FCAP support Technician, and one Assistant District Engineer were supported by the 10% SA during FY 2026.

a. State Program Management: Source Water Protection Program Administration

During the reporting period, the Office of Drinking Water (ODW) continued to coordinate statewide efforts to support and oversee source water protection activities. This included managing contracts and providing technical and programmatic assistance to community water systems in developing and maintaining Source Water Protection Plans (SWPPs).

ODW's contractors continued to work with multiple water systems across the Commonwealth to advance source water protection planning and implementation. These efforts included plan development, updates to existing protection strategies, and collaboration with local partners to strengthen long-term source protection efforts.

Throughout this period, ODW and its partners engaged in discussions with various stakeholders to share information, coordinate activities, and enhance the overall effectiveness of source water protection initiatives. Contractors also assisted water systems with identifying potential risks to their sources and developing practical measures to mitigate those risks.

ODW continued to collect and evaluate data to assess progress toward statewide source water protection goals. This included outreach to eligible systems to gauge current levels of plan development, implementation, and readiness. The information gathered helps guide future technical assistance and program priorities.

b. State Program Management: Public Water Supply Supervision (PWSS) Program

See statistics from the PWSS Semiannual Reports submitted.

c. State Program Management: Capacity Development

ODW completed the following activities in ensuring a successful implementation of the Capacity Development Strategy:

- Completed Field Office Reviews – FY 2026 DWSRF projects
- Completing Capacity (TMF) Reviews – FY2026 DWSRF projects (in-progress)
- Conducting SRF Debarment Searches – FY2026 DWSRF projects (in-progress)
- On-going review of waterworks through sanitary surveys (monthly)
- Reviewing SRF cash flow worksheets – FY2026 DWSRF projects (in-progress)
- Collaborating on SRF Initial Meetings (in-progress)
- A total of 26 eligible staff salaries are funded through the DWSRF 10% set-aside budget. Please refer to the IUP 10% budget and work plan.
- Further details will be addressed in the Commonwealth of Virginia's Capacity Development Annual Implementation report that will be submitted to the EPA in November 2026.

15% Local Assistance and Other State Programs

ODW used these funds to supplement the State Public Water Supply Supervision (PWSS) Program. During FY 2026, the 15% SA supported one Special Project Engineer, one Statistical Analyst, One Human Services GIS position, one Capacity Development Division Director, one Capacity Development Supervisor, three Sustainability Coordinators, one Operator Certification Training Coordinator, one Security Officer, and one Part-time Office Specialist.

Virginia used funds from its local assistance set-aside for capacity development.

- a. Local Assistance and Other State Programs - Source Water Delineation and Assessment
ODW continued maintaining and refining the GIS database layers and the VDH ArcGIS toolset to render a better product for waterworks and their consultants. ODW has implemented and maintains a web map application to help the field offices view and analyze source water data in real time.
- b. Local Assistance and Other State Programs - Operator Certification
Virginia has had a waterworks operator licensure law and regulations since 1971. Licensure is generally accepted as being more stringent than certification. The Department of Professional and Occupational Regulation administers the licensure program for the Board for Waterworks and Wastewater Works Operators and Onsite Sewage System Professionals. The Director of the Office of Drinking Water is a member of this licensure Board. Through the 15% set asides, the Operator Certification and Training Manager continued to be funded this year. For information on Virginia's Operator Certification Program, VDH's operator training, and other provider's trainings, please refer to the current Annual Operator Certification Report submitted to EPA in June 2026.
- c. Local Assistance and Other State Programs – Capacity Development
ODW continues to offer planning and design funding agreements to private and public owners of community waterworks as part of the general technical assistance. Funding is for up to \$45,000 per project. This program is for small, rural, financially stressed, community waterworks serving fewer than 10,000 persons. Eligible costs may include preliminary engineering reports, design of plans and specifications, performance of source water quality and quantity studies, drilling test wells to determine source feasibility, or other similar technical assistance projects.

For details regarding the Capacity Development Program, please refer to the Annual Capacity Development Report submitted in November 2025. The next Annual Capacity Development Report will be submitted to EPA in November 2026.

Through the funding in the 15% set asides, the Capacity Development Program also accomplished the following:

- Continued funding of a full time Training and Capacity Development Manager position.
 - Funding one Capacity Development Supervisor who supervises three Sustainability Coordinator positions, all of whom provide direct technical assistance on Technical, Managerial, and Financial issues with waterworks across the Commonwealth.
 - Funding one Training Capacity Development, and Outreach administrative assistant who provides necessary administrative support for program implementation.
 - Additional staffing support includes funding the ODW Security Officer who provides emergency management assistance and support to waterworks.
 - Fund Planning and Design Grants as described above.
 - Continued to fund and implement the Small Project Engineering Program.
 - In 2026, VDH-ODW and Virginia Tech offered courses in person and virtually in order to reach a wider audience. Please refer to the Annual Operator Certification Report for the Commonwealth of Virginia, submitted to the EPA in June 2026, for additional details on these courses.
- d. Local Assistance and Other State Programs - Land Acquisition for Source Water Protection
No funding from this set-aside was provided for loans to public water systems for the purchase of land or conservation easements and for incentive-based voluntary protection measures.
 - e. Local Assistance and Other State Programs – Source Water Protection

Efforts of the source water protection are presented in the current Capacity Development Report. Staffing support for this program is provided through funding for one Special Project Engineer who manages the Source Water Assessment and Protection programs, one Statistical Analyst who evaluates potential impacts to public drinking water sources, and one Human Services Program Consultant who develops, maintains and supports GIS for Source Water Protection.

3. Construction Project Loan Assistance Status

Binding Commitments:

ODW entered into 19 loan agreements with 16 different public and private water systems totaling \$67,224,856 during this reporting period. The typical loan terms range from 20 to 30 years, with interest rates from 1.00 to 3.75 percent. The loan term may be reduced to match the life of the asset being funded or at the request of the recipient. **Appendix F** lists the new loan agreements for this reporting period and provides a brief description of each project.

SRF – Program Pace

For the report period ODW achieved a program pace (funds provided to funds available) of 88%. On a cumulative basis, ODW achieved a pace of 69%.

Disbursements for Projects:

For this reporting period, ODW disbursed \$41,343,612.26 for projects in Federal and State funds (includes \$3,579,278.48 in state matching funds). Repayment dollar disbursements totaled \$386,985.43 during this reporting period.

Project By-pass:

In response to our DWSRF FY2026 solicitation which included applications for the Bipartisan Infrastructure Law (BIL) funding, ODW received and evaluated 96 construction projects requesting a total of \$417.7 million. Of these, 11 applications were for small projects, less than \$300,000.

ODW also reminded the applicants that we reserve the right to by-pass any open project that has not executed the assistance agreements/initiated construction within 12 months of the original award date. Finally, ODW urged them to pursue a timely completion of their existing open DWSRF Projects and consider re-applying next year for the by-passed projects.

ODW agreed to award by-passed projects if the applicant took action to reduce the number of open projects to less than three by completing the open projects or withdrawing already awarded projects to pursue the new application if they consider it a higher priority.

The table in Appendix H indicates projects that were either bypassed or withdrawn during FY2026, including where the funds were reallocated.

Small Systems That Will Benefit:

ODW awarded approximately \$35,412,550 million of the Additional Subsidy project funds from the 2025 IUP to small and disadvantaged systems. The status of assistance to disadvantaged waterworks has been provided below:

STATUS OF DISADVANTAGED ASSISTANCE AS OF JUNE 30, 2026					
Fiscal Year	Total Cap Grant Award	Amount of Max Subsidy for Disadvantaged Systems*	Percent of Cap Grant for Disadvantaged Systems	Amount of Disadvantaged Subsidy Provided**	Percentage of Cap Grant as Additional Subsidization**
1997	\$ 29,442,400	\$ 8,832,720	30% Maximum	\$ 8,467,947	28.8%
1998	\$ 13,895,300	\$ 4,168,590	30% Maximum	\$ 4,168,500	30.0%
1999	\$ 14,563,600	\$ 4,369,080	30% Maximum	\$ 4,369,080	30.0%
2000	\$ 15,135,800	\$ 4,540,740	30% Maximum	\$ 4,540,740	30.0%
2001	\$ 15,198,400	\$ 4,559,520	30% Maximum	\$ 4,559,520	30.0%
2002	\$ 11,127,600	\$ 3,338,280	30% Maximum	\$ 3,338,280	30.0%
2003	\$ 11,060,700	\$ 3,318,210	30% Maximum	\$ 3,318,210	30.0%
2004	\$ 11,473,900	\$ 3,442,170	30% Maximum	\$ 3,442,170	30.0%
2005	\$ 11,449,600	\$ 3,434,880	30% Maximum	\$ 2,845,909	24.9%
2006	\$ 8,761,500	\$ 2,628,450	30% Maximum	\$ 2,379,730	27.2%
2007	\$ 9,841,124	\$ 2,952,337	30% Maximum	\$ 2,221,208	22.6%
2008	\$ 8,679,899	\$ 2,603,970	30% Maximum	\$ 2,034,068	23.4%
2009	\$ 8,672,999	\$ 2,601,900	30% Maximum	\$ 2,521,764	29.1%
2010	\$ 23,008,000	\$ 6,902,400	30% Minimum	\$ 11,090,720	48.2%
2011	\$ 15,965,000	\$ 4,789,500	30% Minimum	\$ 7,326,717	45.9%
2012	\$ 15,215,000	\$ 4,564,500	30% Maximum	\$ 3,104,412	20.4%
2013	\$ 14,275,000	\$ 4,282,500	30% Maximum	\$ 3,531,344	24.7%
2014	\$ 14,654,000	\$ 4,396,200	30% Maximum	\$ 3,901,000	26.6%
2015	\$ 14,557,000	\$ 4,367,100	30% Maximum	\$ 3,411,210	23.4%
2016	\$ 13,771,000	\$ 4,131,300	30% Maximum	\$ 2,754,200	20.0%
2017	\$ 13,654,000	\$ 4,096,200	30% Maximum	\$ 3,680,222	27.0%
2018	\$ 18,123,000	\$ 9,061,500	50% Maximum	\$ 8,286,745	45.7%
2019	\$ 17,954,000	\$ 9,874,700	55% Maximum	\$ 7,307,247	40.7%
2020	\$ 17,965,000	\$ 8,802,850	49% Maximum	\$ 7,720,794	43.0%
2021	\$ 18,114,000	\$ 9,962,700	55% Maximum	\$ 4,391,518	32.4%
2022*	\$ 99,374,000	\$ 48,693,260	49% Maximum*	\$ 22,222,690	23.1%
2023*	\$ 96,376,000	\$ 47,224,240	49% Maximum*	\$ 34,714,546	34.9%
2024*	\$ 99,167,000	\$ 48,591,830	49% Maximum*	\$ 16,580,575	35.0%
2025*	\$ 141,739,000	\$ 69,452,110	49% Maximum*	\$ 35,412,550	25.0%
Total	\$ 661,474,822	\$ 270,531,627	49% Maximum*	\$ 206,365,095	27.8%

Figures in Table do not include ARRA funding or the FY2026 grant awards as they were received after the reporting period.

*Amount of Max Subsidy for Disadvantaged Systems of 49% for FY2022 -FY2026 DWSRF Base Funding, Bipartisan Infrastructure Law (BIL) funding for Lead Service Lines and Supplemental projects are included in overall totals along with BIL Emerging Contaminants and SA-HMW that require 100% Additional Subsidy.

4. Coalfield Water Development Fund

The Coalfield Water Development Fund, Inc. (CWDF) is a non-profit charitable organization that provides grant assistance for waterworks construction in Planning Districts 1 and 2 which includes the counties of: Lee, Scott, Wise, Dickenson, Russell, Tazewell, Buchanan, and the City of Norton. Four loans totaling \$10 million have been made to the CWDF to set up a regional endowment using funds from Virginia's DWSRF Program. The loans to CWDF are at an interest rate of 0% for 30 years with a balloon payment of principal due at the end of the period. The loan principal is held in trust to earn dividends and interest and the endowment income is used to make construction grants (principal forgiveness) in Planning Districts 1 and 2 of Southwest Virginia. An independent audit was completed for the fiscal year ending June 30, 2026. The audit report contained unqualified opinions with no audit findings.

ODW performed a review of the CWDF on November 6th, 2025, covering the reporting period ending June 30, 2025. ODW determined the CWDF was operating in compliance with the Program for Implementation for the fiscal year. ODW is scheduled to perform the next on-site review in the Fall of 2026.

IV. FINANCIAL SUMMARY

The following information is provided to delineate the financial health of Virginia's DWSRF program.

A. Status of Loans

ODW closed 19 SRF construction projects in amounts shown in Part I in SRF loans as of June 30, 2026.

B. Loan Disbursements/Cash Draw Proportionality

ODW expended \$3,579,278.48 in state match during this reporting period.

C. Set-Aside Disbursements

ODW disbursed \$8,320,686 million in SRF set-aside funds during this reporting period. **Appendix D** breaks out the disbursements by set-aside activity.

D. Annual Repayment/Aging of Account

The DWSRF program received \$14,261,964 in principal repayments, \$2,384,830 in interest repayments, and \$1,434,024 in administrative fees during this reporting period. The DWSRF program received \$128,139 in investment income, net of fees for the period ended June 30, 2026.

E. Financial Statements

The 2026 audited financial statements of our "State Loan Fund," the Virginia Water Supply Revolving Fund, which is maintained at the Virginia Resources Authority, was issued in September 2026. **Appendix E** illustrates the DWSRF Financial Statements from that audit. The Fiscal Year 2026 VRA CAFR was submitted electronically in September 2026.

V. COMPLIANCE WITH AGREEMENTS

ODW has complied with the conditions in the Grant Agreement, unless noted otherwise. ODW has met and continues to be in compliance with the following conditions:

- Establish and maintain state authority,
- Comply with applicable state laws and procedures,
- Review technical, financial, and managerial capacity of assistance recipients,

- Establish State Loan Fund account, set-aside account, and administration account,
- Deposit all funds in appropriate accounts,
- Follow state accounting and auditing procedures,
- Require loan recipient accounting and auditing procedures,
- Submit IUP and use all funds in accordance with the plan,
- Comply with enforceable requirements of the Act,
- Establish capacity development authority,
- Implement/maintain system to minimize risk of waste, fraud, abuse, and corrective action, and
- Develop and submit project priority ranking system.

A detailed discussion of the following conditions includes:

A. Binding Commitments within One Year

ODW entered into binding commitments within one year of receipt of the Automated Clearing House payments for all four quarters during this reporting period.

B. Deposit State Matching Funds

ODW contributed \$3,579,278 in state match during this reporting period. Cumulative state match appropriations as of June 30, 2026, were \$89,249,310.

C. Submit Biennial SRF Report and Annual Audit

ODW has submitted all required reports. For ease of reporting ODW has elected to submit its report annually. The State's Auditor of Public Accounts conducts an annual statewide single audit for the Commonwealth of Virginia in accordance with OMB Circular A-133. There were no reported findings pertaining to the DWSRF program the audit report issued for the fiscal year ending June 30, 2025. The State's Auditor of Public Accounts has not yet published the single audit for 2026. Those audits can be accessed at the following weblink [Auditor of Public Accounts](#)

D. Assure That Borrowers Have Dedicated Source of Repayment

Detailed financial analyses and credit summaries are performed for each applicant prior to entering into a loan commitment. Each loan recipient must also establish one or more dedicated sources of revenue for repayment of the loan. Dedicated sources of revenue can be water and/or sewer revenue pledges, general tax pledges, or a combined pledge of revenues and full faith and credit.

E. Ensure Recipients Compliance with Applicable Federal Cross-Cutting Authorities

VDH has established monitoring methods to ensure compliance with federal cross-cutting requirements. In addition, administrative/financial reviews are conducted during the course of each project at specified intervals. ODW continues our routine monitoring efforts to ensure compliance.

For the 1998 grant award, the MBE goal was 2% and the WBE goal was 1.5%. Beginning with the 1999 grant award, ODW studied the availability of contractors in this field to establish the MBE and WBE goals. ODW approved goals are in the range from 0.9% to 3.5% for MBE and 0.2% to 1.9% for WBE effective October 1, 2024, through September 30, 2027. The results of ODW performance in this area are captured in our MBE quarterly reports. ODW will reconvene the MBE/WBE state workgroup in January 2027 to update our goals for the next three-year period.

F. Conduct Environmental Reviews

The 19 public water systems receiving assistance during Virginia Fiscal Year 2026 were reviewed and approved using the state's environmental review procedures. It was determined that no Environmental Impact Statements were necessary.

G. Implement Capacity Development Strategy

ODW continues to implement the EPA approved Capacity Development Strategy. This strategy includes requirements for new waterworks, existing waterworks, and potential DWSRF recipients. In accordance with reporting requirements, ODW will submit the 2026 Capacity Development Report to EPA in November 2025. ODW submitted a revised Capacity Development Strategy pursuant to the requirements of the America's Water Infrastructure Act of 2018 (AWIA) on March 2, 2021. In January 2022, the EPA approved the revised Strategy. Details can be found in the triennial report to the Governor: Efficacy of Virginia's Waterworks Capacity Development Strategy. The report covers the period from July 1, 2023, - June 30, 2026. It was sent to the Governor of Virginia with a copy to the EPA in September, 2026.

APPENDIX A

OWSRF #	Table 1: ALLOCATION OF FUNDS - DWSRF			
I. SOURCES OF FUNDS		2026	Previous Cumulative	Current Cumulative
14	Capitalization Grant	\$61,749,000	\$681,755,822	\$681,817,571
29	20% State Match	\$3,579,278	\$84,242,432	\$87,821,710
	State Funds - Deferred Match	\$0	\$5,888,480	\$5,888,480
	Additional State Funds	\$0	\$5,053,720	\$5,053,720
281	Principal Repayments	\$14,261,964	\$149,473,985	\$163,735,949
282	Interest Repayments	\$2,384,830	\$24,904,502	\$27,289,332
296	Interest Earned on Investments	\$6,158,464	\$15,235,951	\$21,394,415
43 & 44	Transfer from Water Facilities Revolving Funds (CWSRF)	\$0	\$1,000,000	\$1,000,000
302	Administrative Loan Fees, Interest & Earnings	\$128,139	\$7,084,722	\$7,212,861
	Total:	\$88,261,675	\$974,639,614	\$1,062,901,289
	EPA In-Kind Amount:	\$0	\$480,000	\$480,000
	EPA In-Kind Recapture Amount:	\$0	\$8,596	\$8,596
II. USES OF FUNDS				
	A. DWSRF LOAN ACCOUNT BINDING COMMITMENTS			
137, 138, 139 - disadvantaged	Small Systems 1452a (2) Standard	\$33,080,262	\$92,821,940	\$125,902,202
185	Disadvantaged Communities 1452d	\$32,241,262	\$348,076,126	\$380,317,388
	Small Systems Subtotal	\$65,321,524	\$440,898,066	\$506,219,590
140 + 141	Large Systems (Standard & Disadvantaged)	\$34,144,594	\$104,675,501	\$138,820,095
	Endowment - Coalfield Water Development Fund	\$0	\$10,000,000	\$10,000,000
	Subtotal Loan Funds:	\$99,466,118	\$555,573,567	\$655,039,685
III. SET-ASIDE ACCOUNT WORK PLAN COMMITMENTS		2026	Previous Cumulative	Current Cumulative
	1. Administration and Technical Assistance (max 4%) 1452(g)2			
45	Administration	\$1,310,866	\$15,310,600	\$16,621,466
	Technical Assistance	\$0	\$1,869,428	\$1,869,428
48	Administration and Technical Assistance Subtotal:	\$1,310,866	\$17,180,028	\$18,490,894
55	2. Technical Assistance (max 2%) 1452(g) 2	\$489,850	\$7,310,425	\$7,800,275
	3. State Program Management (max 10%) 1452(g)2			
65	PWSS Program	\$3,558,120	\$37,503,024	\$41,061,144
	Source Protection	\$0	\$650,624	\$650,624
	Operator Certification	\$0	\$756,058	\$756,058
	Capacity Development	\$0	\$215,594	\$215,594
	State Program Management Subtotal:	\$3,558,120	\$39,125,300	\$42,683,420
	4. Local Assistance/Other State Programs (max 15%) 1452(k)			
	Source Water Delineation and Assessment	\$0	\$2,944,240	\$2,944,240
	Source Water Land Acquisition	\$0	\$0	\$0
84 - 97	Capacity Development	\$50,990,979	\$34,328,695	\$85,319,674
98 - 101	Wellhead Protection	\$3,039,847	\$3,552,718	\$6,592,565
	Local Assistance/Other State Programs Subtotal:	\$54,030,826	\$40,825,653	\$94,856,479
111	Set-Asides Subtotal	\$9,063,174	\$104,441,406	\$113,504,580
	Total (S/A subtotal plus Loan Funds subtotal)	\$108,529,292	\$660,014,973	\$768,544,265

APPENDIX B

Table 2: DISBURSED DWSRF PROGRAM FUNDS BY STATE FISC				
OWSRF #		2026	Previous Cumulative	Current Cumulative
USES OF DISBURSED FUNDS				
I. PROJECT LOAN ACCOUNT				
	1. Large Systems			
140	Standard Loans 1452(a)	\$28,394,594	\$47,515,335	\$75,909,929
141	Disadvantaged Communities 1452 (d)	\$5,750,000	\$60,625,481	\$66,375,481
140+141	<i>Large Systems Subtotal:</i>	\$34,144,594	\$108,140,816	\$142,285,410
	2. Small Systems			
	Standard Loans	\$0	\$66,199,124	\$66,199,124
137+138+139	Disadvantaged Communities 1452 (d)	\$33,080,262	\$326,885,088	\$359,965,350
137+138+139	<i>Small Systems Subtotal:</i>	\$33,080,262	\$393,084,212	\$426,164,474
	3. Endowment - Coalfield Water Development Fund	\$0	\$10,000,000	\$10,000,000
142	Project Loan Subtotal:	\$67,224,856	\$511,225,028	\$578,449,884
II. SET-ASIDE ACCOUNT				
	1. Administration and Technical Assistance 1452(g)2			
50	Administration	\$1,519,482	\$12,980,054	\$14,499,536
51	Technical Assistance	\$0	\$1,631,544	\$1,631,544
52	<i>Administration and Technical Assistance Subtotal:</i>	\$1,519,482	\$14,611,598	\$16,131,080
	2. State Program Management (max 10%) 1452(g)2			
70	PWSS Program	\$2,224,648	\$32,492,402	\$34,717,050
72	Source Water Protection	\$0	\$379,486	\$379,486
76	Operator Certification	\$0	\$862,796	\$862,796
74	Capacity Development	\$0	\$185,857	\$185,857
78	<i>State Program Management Subtotal:</i>	\$2,224,648	\$33,920,541	\$36,145,189
	3. Local Assistance/Other State Programs (max 15%) 1452(k)			
96	Source Water Delineation and Assessment	\$0	\$2,940,313	\$2,940,313
90	Source Water Land Acquisition	\$0	\$0	\$0
102	Capacity Development	\$3,868,952	\$25,130,952	\$28,999,904
98	Wellhead Protection	\$71,490	\$2,796,867	\$2,868,357
	<i>Local Assistance/Other State Programs Subtotal:</i>	\$3,940,442	\$30,868,132	\$34,808,574
	Set-Asides Subtotal: (may vary slightly due to rounding)	\$7,684,572	\$79,400,271	\$87,084,843
	Grand Total (S/A subtotal + Project Loan Funds subtotal)	\$74,909,428	\$590,625,299	\$665,534,727

APPENDIX C: FINANCIAL STATUS REPORTS

(Federal Financial Reports will be provided separately at a later date,
and can be found at this weblink to the Commonwealth of Virginia

Auditor of Public Accounts when available:

[Auditor of Public Accounts](#)

APPENDIX D: Set Aside Utilization Report

2025 BIL Supplemental GRANT AWARD (4D953A0232)					
	2% Technical Assist. (DE)	4% Program Admin. (DD)	10% Program Man. (DF)	15% Local Assist. (DG)	Total
ALLOCATED	\$489,850	\$1,310,866	\$3,558,120	\$3,704,338	\$9,063,174
OBLIGATED	\$489,850	\$1,310,866	\$3,558,120	\$3,704,338	\$9,063,174
% OBLIGATED	100%	100%	100%	100%	100%
EXPENDED	\$0	\$0	\$0	\$0	\$0
% EXPENDED	0%	0%	0%	0%	0%

2024 BIL Supplemental GRANT AWARD (4D953A0083)					
	2% Technical Assist. (DE)	4% Program Admin. (DD)	10% Program Man. (DF)	15% Local Assist. (DG)	Total
ALLOCATED	\$429,769	\$980,649	\$3,114,002	\$3,148,589	\$7,673,009
OBLIGATED	\$429,769	\$980,649	\$3,114,002	\$3,148,589	\$7,673,009
% OBLIGATED	100%	100%	100%	100%	100%
EXPENDED	\$197,615.84	\$0	\$0	\$0	\$197,615.84
% EXPENDED	46%	0%	0%	0%	3%

2023 BIL Supplemental GRANT AWARD (4D95331801)					
	2% Technical Assist. (DE)	4% Program Admin. (DD)	10% Program Man. (DF)	15% Local Assist. (DG)	Total
ALLOCATED	\$449,230	\$828,027	\$0	\$3,316,635	\$4,593,892
OBLIGATED	\$449,230	\$828,027	\$0	\$3,316,635	\$4,593,892
% OBLIGATED	100%	100%	100%	100%	100%
EXPENDED	\$449,230	\$665,527.41	\$0	\$295,036.11	\$1,409,793.52
% EXPENDED	100%	80%	100%	9%	31%

2023 DWSRF GRANT AWARD (FS99358323)					
	2% Technical Assist. (DE)	4% Program Admin. (DD)	10% Program Man. (DF)	15% Local Assist. (DG)	Total
ALLOCATED	\$0	\$0	\$3,124,736	\$0	\$3,124,736
OBLIGATED	\$0	\$0	\$3,124,736	\$0	\$3,124,736
% OBLIGATED	100%	100%	100%	100%	100%
EXPENDED	\$0	\$0	\$798,218.28	\$0	\$798,218.28
% EXPENDED	100%	100%	26%	100%	26%

2022 BIL Supplemental GRANT AWARD (4D95307001)					
	2% Technical Assist. (DE)	4% Program Admin. (DD)	10% Program Man. (DF)	15% Local Assist. (DG)	Total
ALLOCATED	\$422,723	\$785,978	\$2,800,504	\$3,299,069	\$7,308,274
OBLIGATED	\$422,723	\$785,978	\$2,800,504	\$3,299,069	\$7,308,274
% OBLIGATED	100%	100%	100%	100%	100%
EXPENDED	\$422,723	\$785,978	\$2,800,504	\$3,299,069	\$7,308,274
% EXPENDED	100%	100%	100%	100%	100%

2021 GRANT AWARD (FS99358321)					
	2% Technical Assist. (DE)	4% Program Admin. (DD)	10% Program Man. (DF)	15% Local Assist. (DG)	Total
ALLOCATED	\$375,299	\$727,852	\$1,811,400	\$2,717,100	\$5,631,651
OBLIGATED	\$375,299	\$727,852	\$1,811,400	\$2,717,100	\$5,631,651
% OBLIGATED	100%	100%	100%	100%	100%
EXPENDED	\$375,299	\$727,852	\$1,811,400	\$2,717,100	\$5,631,651
% EXPENDED	100%	100%	100%	100%	100%

2020 GRANT AWARD (FS99358320)					
	2% Technical Assist. (DE)	4% Program Admin. (DD)	10% Program Man. (DF)	15% Local Assist. (DG)	Total
	\$359,300	\$718,600	\$1,915,592	\$2,694,750	\$5,688,242
OBLIGATED	\$359,300	\$718,600	\$1,915,592	\$2,694,750	\$5,688,242
% OBLIGATED	100%	100%	100%	100%	100%
EXPENDED	\$359,300	\$718,600	\$1,915,592	\$2,684,750	\$5,688,242
% EXPENDED	100%	100%	100%	100%	100%

2019 GRANT AWARD (FS99358319)					
	2% Technical Assist. (DE)	4% Program Admin. (DD)	10% Program Man. (DF)	15% Local Assist. (DG)	Total
ALLOCATED	\$359,080	\$718,161	\$2,708,279	\$2,499,739	\$6,285,259
OBLIGATED	\$359,080	\$718,161	\$2,708,279	\$2,499,739	\$6,285,259
% OBLIGATED	100%	100%	100%	100%	100%
EXPENDED	\$359,080	\$718,161	\$2,708,279	\$2,499,739	\$6,285,259
% EXPENDED	100%	100%	100%	100%	100%

Cumulative (2019 to 2025) Grant Award					
	2% Technical Assist. (DE)	4% Program Admin. (DD)	10% Program Man. (DF)	15% Local Assist. (DG)	Total
ALLOCATED	\$2,885,251	\$6,070,133	\$19,032,633	\$21,380,220	\$49,368,237
OBLIGATED	\$2,885,251	\$6,070,133	\$19,032,633	\$21,380,220	\$49,368,237
% OBLIGATED	100%	100%	100%	100%	100%
EXPENDED	\$2,163,248	\$3,616,118	\$10,033,993	\$11,495,694	\$27,319,054
% EXPENDED	75%	60%	53%	54%	55%

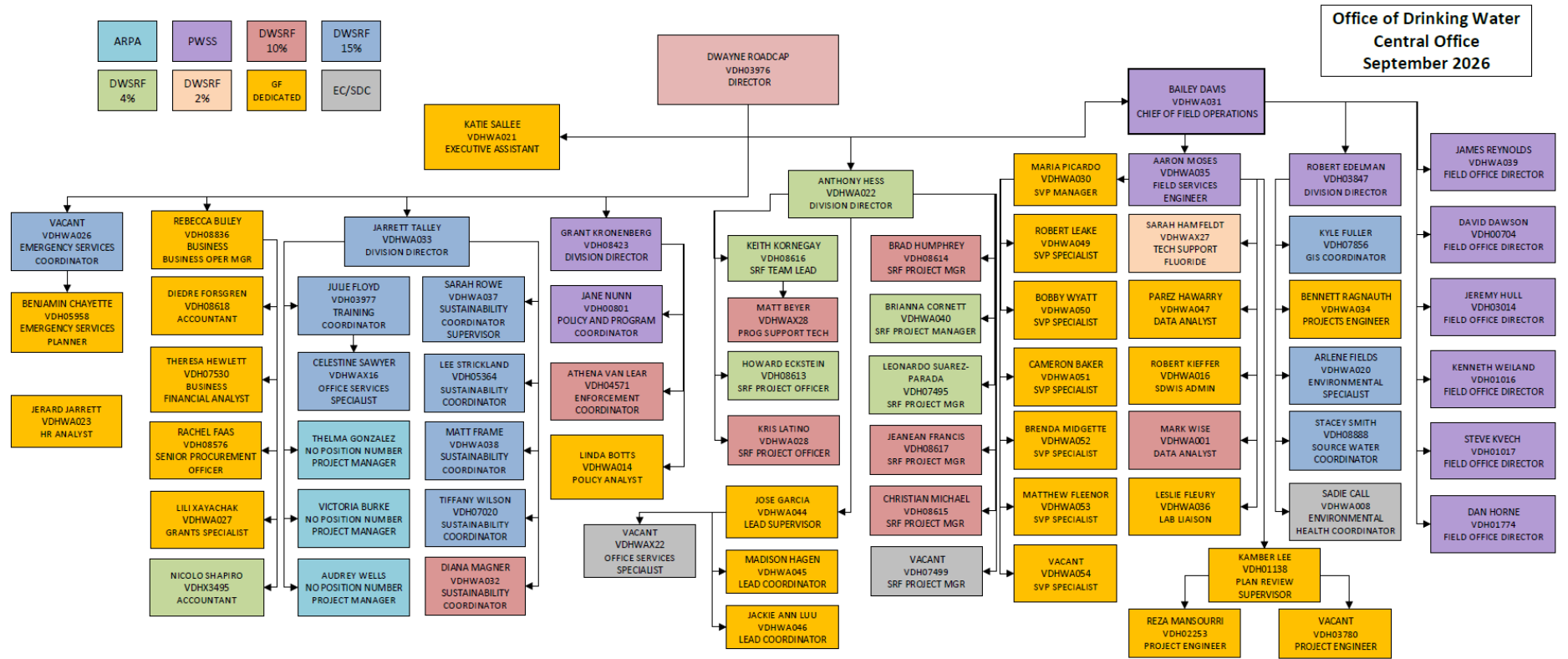
APPENDIX E: DWSRF FINANCIAL STATEMENTS, FY 2026

Available on Virginia Resources Authority Webpage [Financial Reports -Virginia Resources Authority](#)

APPENDIX F: LOAN AGREEMENTS FOR REPORTING PERIOD

Current Agreement Type ▼	Initial Agreement Date ▼	Initial Agreement Amount ▼	Current Interest Rate ▼	Current Repayment Period ▼	Current Additional Subsidy Amount ▼	LOAN AMOUNT ▼	Total Project Cost ▼	# of Projects ▼
Initial Agreement	05/29/2026	\$8,000,000.00	1	20	\$2,920,000.00	\$5,080,000.00	\$8,000,000.00	1
Initial Agreement	05/29/2026	\$4,201,000.00	3.05	20	\$2,604,620.00	\$1,596,380.00	\$4,201,000.00	1
Initial Agreement	03/05/2026	\$2,644,656.00	2.25	30	\$1,330,000.00	\$1,314,656.00	\$2,644,656.00	1
Initial Agreement	02/11/2026	\$3,068,400.00	0	0	\$3,068,400.00	\$0.00	\$3,068,400.00	1
Initial Agreement	02/09/2026	\$1,102,722.00	0	0	\$1,102,722.00	\$0.00	\$1,102,722.00	1
Initial Agreement	01/30/2026	\$1,351,431.00	0	0	\$1,351,431.00	\$0.00	\$1,351,431.00	1
Initial Agreement	12/23/2025	\$5,006,453.00	2.9	20	\$30,000.00	\$4,976,453.00	\$5,006,453.00	1
Initial Agreement	12/23/2025	\$3,500,000.00	2.9	20	\$1,050,000.00	\$2,450,000.00	\$3,500,000.00	1
Initial Agreement	12/18/2025	\$3,100,000.00	2.9	20	\$2,394,964.00	\$705,036.00	\$3,100,000.00	1
Initial Agreement	11/20/2025	\$7,240,000.00	0	0	\$7,240,000.00	\$0.00	\$7,240,000.00	1
Initial Agreement	11/06/2025	\$4,000,000.00	3	20	\$0.00	\$4,000,000.00	\$4,000,000.00	1
Initial Agreement	11/06/2025	\$1,000,000.00	3	20	\$0.00	\$1,000,000.00	\$1,000,000.00	1
Initial Agreement	10/28/2025	\$5,800,000.00	0	0	\$5,800,000.00	\$0.00	\$5,800,000.00	1
Initial Agreement	10/08/2025	\$905,000.00	0	0	\$905,000.00	\$0.00	\$905,000.00	1
Initial Agreement	09/03/2025	\$750,000.00	1	20	\$297,680.00	\$452,320.00	\$750,000.00	1
Initial Agreement	08/22/2025	\$10,025,194.00	1	20	\$3,659,196.00	\$6,365,998.00	\$10,025,194.00	1
Initial Agreement	12/19/2025	\$5,000,000.00	1	22.1	\$2,377,500.00	\$2,622,500.00	\$5,000,000.00	1
Initial Agreement	07/28/2025	\$530,000.00	0	0	\$530,000.00	\$0.00	\$530,000.00	1
	TOTAL	\$67,224,856.00						

APPENDIX G: FCAP Structure



APPENDIX H: Bypassed and Withdrawn Projects

No projects were bypassed or withdrawn in FY2026

Funding Available from Withdrawn or Bypassed Projects										
Year	WSL / BIL	FCAP Project No.	Waterworks	Project Name	Total Offer/Award	Loan	Principal Forgiveness	Date Withdrawn	Date Bypassed	Reason
2023	BIL	BIL 016S-23	Town of Troutville	Water System Improvements	\$ 3,250,000.00	\$ 1,072,500.00	\$ 2,177,500.00	4/17/2024	NA	No - response accepting or denying offer.
2022	BIL	BIL 09L-22	Western Virginia Water Authority	Lead Service Line Inventory and Replacement	\$ 465,000.00			3/21/2024	NA	Did not find lead lines and did not need funding.
2023	WSL	WSL-004-23	City of Danville	Off Stream Raw Water Conveyance Facilities	\$ 4,964,000.00	\$ 3,474,800.00	\$ 1,489,200.00	5/9/2024	NA	Cost of rehabbing reservoir exceeds project budget so they withdrew.
2021	WSL	WSL-022-21 & WSL-022b-21	Town of Round Hill	South Zone Water Storage Tank	\$ 2,993,000.00	\$ 2,993,000.00	\$ -	5/9/2024	NA	Received grant funding from Loudon County.
2022	BIL	BIL-005S-22	Greene County	Treatment Plant and Reservoir	\$ 1,500,000.00	\$ 1,500,000.00	\$ -	NA	6/27/2024	By-Pass for TMF reasons.
2021	WSL	WSL-002-21	Town of Richlands	System DBP Improvements and Water Treatment Plant upgrade	\$ 3,889,000.00	\$ 3,489,300.00	\$ 415,000.00	NA	10/21/2024	Bypassed due to insufficient progress.
2021	WSL	WSL-009-21	Wise County PSA	Town of Pound WTP Improvements		\$ 874,142.00	\$ -	NA	11/13/2024	Award Revised - Loan replaced by Principal Forgiveness. Loan now available to be reallocated
2021	WSL	WSL-012-21	Bristol Virginia Utilities Authority	System-Wide District Meter and Downtown PRV Improvements Project	\$ 711,780.00	\$ 711,780.00	\$ -	NA	5/29/2025	Removed due to AIS Compliance issues
2022	BIL	BIL-53L-22	Giles County PSA	Joint Lead Service Line Inventory	\$ 667,895.00	\$ 667,895.00		NA	6/18/2025	Owner inaction on funding award
2023	BIL	BIL-62L-23	Bath County PSA	LSL Inventory Project	\$ 150,000.00	\$ -	\$ 150,000.00	NA	3/4/2025	Owner inaction on funding award
2023	BIL	BIL-36L-23	Town of Brookneal	LSL Inventory Project	\$ 100,000.00	\$ -	\$ 100,000.00	NA	6/16/2025	Owner inaction on funding award
				Totals	\$ 19,115,117.00	\$ 14,783,417.00	\$ 4,331,700.00			
Funding Reallocated from Withdrawn or Bypassed Projects										
Year	WSL / BIL	FCAP Project No.	Waterworks	Project Name	Total Additional Award	Loan	Principal Forgiveness	Date Award Letter Revised		Reason
2023	WSL	WSL-001-23E	Wise County PSA	Town of Pound & Existing System Improvements	\$ 1,489,200.00	\$ -	\$ 1,489,200.00	5/23/2025		Took over a failing waterworks Project needed Principal Forgiveness to move forward
2023	WSL	WSL-001-23E	Wise County PSA	Town of Pound & Existing System Improvements	\$ 84,800.00	\$ -	\$ 84,800.00	6/27/2024		Took over a failing waterworks Project needed Principal Forgiveness to move forward
2021	WSL	WSL-009-21	Wise County PSA	Town of Pound WTP Improvements	\$ 415,000.00	\$ -	\$ 415,000.00	11/13/2024		Took over a failing waterworks Project needed principal forgiveness to move forward, \$415,000 PF added, \$874,142 Loan no longer used is now available to reallocate to another project
2022	BIL	BIL-02S-22	Town of Altavista	Sedimentation and Solids Handling Improvements	\$ 841,390.00	\$ -	\$ 841,390.00	6/25/2024		Received Bids exceeding award
2022	BIL	BIL-01S-22	Town of Hurt	Phase II DBP Remediation and Water Improvements	\$ 250,000.00	\$ -	\$ 250,000.00	8/12/2025		Received Bids exceeding award
2018	WSL	WSL-02S-18	Town of Saltville	Water System Improvements (Phase 1)	\$ 1,000,000.00	\$ -	\$ 1,000,000.00	8/21/2025		Received Bids exceeding award
2021	WSL	WSL-021-21E	Town of New Market	Water System Improvements	\$ 2,000,000.00	\$ 2,000,000.00	\$ -	10/1/2024		Received Bids exceeding award
				Totals	\$ 6,080,390.00	\$ 2,000,000.00	\$ 4,080,390.00			
				Remaining funds to reallocate	\$ 13,034,727.00	\$ 12,783,417.00	\$ 251,310.00			